



ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

November 7, 2008

Mr. Matthew Cate, Secretary
California Department of Corrections and Rehabilitation
P.O. Box 942883
Sacramento, CA 94283-0001

Dear Mr. Cate:

**Final Audit Report—California Department of Corrections and Rehabilitation,
Combined Inmate Welfare Fund for the Fiscal Year Ended June 30, 2007**

Enclosed is the final audit report on the Combined Inmate Welfare Fund (Fund) for the fiscal year ended June 30, 2007. The final report includes the Fund's Combined Balance Sheet; Combined Statement of Revenues, Expenses, and Changes in Fund Balance; and Supplemental Schedules of Revenues and Expenses by Institution.

The Fund's financial statements were fairly presented. Because there were no audit findings or issues requiring a response, we are issuing the report as final. In accordance with Finance's policy of increased transparency, this report will be placed on our website.

We appreciate the cooperation and assistance of California Department of Corrections and Rehabilitation staff during our audit. If you have any questions regarding this report, please contact Richard R. Sierra, Manager, or James Kong, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, Chief
Office of State Audits and Evaluations

Enclosure

cc: Mr. Scott Kernan, Undersecretary (A), Administration, California Department of Corrections and Rehabilitation
Mr. Steve Alston, Director (A), Division of Support Services, California Department of Corrections and Rehabilitation
Mr. Richard Krupp, Assistant Secretary, Office of Audits and Compliance, California Department of Corrections and Rehabilitation
Ms. Kim Holt, External Audits Manager, Office of Audits and Compliance, California Department of Corrections and Rehabilitation
Mr. Tim Gilpin, Associate Director, Accounting Services, California Department of Corrections and Rehabilitation
Ms. Judy Parker, Accounting Administrator II, Accounting—Inmate Welfare Fund, California Department of Corrections and Rehabilitation

A F_{INANCIAL} S_{TATEMENT} A_{UDIT}

California D_{epartment of} C_{orrections and} R_{ehabilitation}
C_{ombined} I_{nmate} W_{elfare} F_{und}
F_{or the} F_{iscal} Y_{ear} E_{nded}
J_{une} 30, 2007

Prepared By:
Office of S_{tate} A_{udits and} E_{valuations}
D_{epartment of} F_{inance}

MEMBERS OF THE AUDIT TEAM:

Richard R. Sierra, CPA, CGFM
Manager

James Kong
Supervisor

Staff

Renato Lim
Regina Lee

This report is also available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

TABLE OF CONTENTS

Preface	iv
Independent Auditor's Report	1
Financial Statements	4
Notes to Financial Statements	7
Supplemental Information—Schedules of Revenues and Expenses by Institution	11

EXECUTIVE SUMMARY

The Department of Finance, Office of State Audits and Evaluations, performed this audit as required by Sections 5005 and 5006 of the California Penal Code. The purpose was to audit the Department of Corrections and Rehabilitation's (Department) Combined Balance Sheet and related Statement of Revenues, Expenses and Changes in Fund Balance of the Inmate Welfare Fund (Fund) for the fiscal year ended June 30, 2007. The audit objectives were to:

- Express an opinion on the financial statements based on our audit conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- Verify that the financial statements were prepared in conformity with the accounting practices for the Fund as prescribed by the State of California and the Department, which comprise a comprehensive basis of accounting other than *Generally Accepted Accounting Principles*.
- As necessary, report on internal control and compliance weaknesses, and provide recommendations for improving controls over Fund operations.

Audit Results

- The aforementioned financial statements are fairly presented for the fiscal year ended June 30, 2007.
- There were no material internal control or compliance weaknesses. Suggestions for improving the Fund's oversight and operations were separately reported to the Department.

This report is a public record. Requests for copies should be made to the Department.



INDEPENDENT AUDITOR'S REPORT

Mr. Matthew Cate, Secretary
California Department of Corrections and Rehabilitation
P.O. Box 942883
Sacramento, CA 94283-0001

We have audited the accompanying Combined Balance Sheet (Statutory Basis) of the Inmate Welfare Fund (Fund) as of June 30, 2007, and the related Combined Statement of Revenues, Expenses and Changes in Fund Balance (Statutory Basis) for the year then ended. These financial statements are the responsibility of the California Department of Corrections and Rehabilitation (Department) and institution management, and present information on the activities of the Fund taken as a whole. They are not intended to be a complete presentation of all the financial activities of the Department or of individual institutions. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In connection with our audit, there are certain disclosures required by *Government Auditing Standards*. Finance is not independent of the audited entity, as both are part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. These activities impair independence. However, sufficient safeguards exist for readers of this report to rely on the information contained herein.

As described in Note 2, these financial statements were prepared in conformity with the accounting practices for the Fund as prescribed by the State of California and the Department, which comprise a comprehensive basis of accounting other than *Generally Accepted Accounting Principles*.

In our opinion, the combined statutory basis financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Fund as of June 30, 2007, and the results of its operations and changes in fund balance for the year then ended in conformity with the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Fund taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Fund and, in our opinion, is fairly stated in all material respects in relation to the financial statements of the Fund taken as a whole.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the Statutory Basis of accounting such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Department management in a separate letter dated October 24, 2008.

This report is intended solely for the information and use of Department and institution management, those charged with governance, and others within the Department, and is not intended to be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations
(916) 322-2985

October 24, 2008

BALANCE SHEET -
STATUTORY BASIS

**California Department of Corrections and Rehabilitation
Inmate Welfare Fund
Combined Balance Sheet—Statutory Basis
As of June 30, 2007**

Assets

Cash	\$ 1,654,827
Deposits in Surplus Money Investment Fund	13,179,000
Accounts Receivable	50,787
Due From Other Funds	1,761,041
Canteen Merchandise for Resale	3,681,559
Equipment	2,543,044
Prepaid Items	<u>5,208</u>
Total Assets	<u>\$22,875,466</u>

Liabilities and Fund Equity

Liabilities:

Accounts Payable	\$ 1,339,467
Claims Filed	1,251,766
Due to Other Funds	1,044,921
Advance Collections	524,511
Uncleared Collections	<u>18,682</u>
Total Liabilities	<u>4,179,347</u>

Fund Equity:

Investment in Equipment	2,543,044
Fund Balances:	
Reserved for Canteen Inventory at Cost	3,681,559
Reserved for Prepaid Items	5,208
Unreserved/Undesignated	<u>12,466,308</u>
Total Fund Equity	<u>18,696,119</u>
Total Liabilities and Fund Equity	<u>\$22,875,466</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE—STATUTORY BASIS

California Department of Corrections and Rehabilitation
Inmate Welfare Fund
Combined Statement of Revenues, Expenses and
Changes in Fund Balance—Statutory Basis
For the Fiscal Year Ended June 30, 2007

Operating Activity

Net Canteen Sales	\$47,142,513
Less: Cost of Goods Sold	<u>27,236,180</u>
Gross Margin from Canteen Sales	19,906,333
Less: Personal Services	13,707,106
Supplies and Equipment	346,010
Inmate Pay	<u>111,981</u>
Total Canteen Expenses	<u>14,165,097</u>
Income from Canteen Sales	5,741,236
Photo Project Revenue	723,788
Less: Photo Project Supplies	363,974
Inmate Pay	<u>3,483</u>
Income from Photo Project	356,331
Handicraft Revenue	41,688
Less: Handicraft Supplies and Expense	7,045
Inmate Pay	<u>4,355</u>
Income from Handicraft Project	<u>30,288</u>
Income from Operating Activity	6,127,855

The accompanying notes are an integral part of the financial statements.

Non-Operating Activity

Non-Operating Revenue	
Interest on Investments	710,881
Special Purchases Surcharge	117,883
Miscellaneous Non-Operating Revenue	<u>143,060</u>
Total Non-Operating Revenue	971,824
 Non-Operating Expenses	
Administrative Expenses	6,955,946
Audit Expenses	524,211
Inmate Benefits:	
Telephone-Visitor Hotline	23,998
Library	22,087
Awards	72,969
Movie Rental	313,758
Entertainment	5,448
Other	<u>14,457</u>
Total Non-Operating Expenses	<u>7,932,874</u>
Loss from Non-Operating Activity	<u>(6,961,050)</u>
 Current Year Net Loss	(833,195)
Prior Year Adjustments	<u>138,933</u>
Total Net Loss	(694,262)
 Fund Equity, July 1, 2006	19,445,357
Net Additions (Deletions) to Fixed Assets	<u>(54,976)</u>
 Fund Equity, June 30, 2007	<u>\$18,696,119</u>

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

California Department of Corrections and Rehabilitation Inmate Welfare Fund Notes to Financial Statements—Statutory Basis For the Fiscal Year Ended June 30, 2007

1. Definition of the Reporting Entity

The Inmate Welfare Fund (Fund), administered by the California Department of Corrections and Rehabilitation (Department), was created by Chapter 102, Statutes of 1945. The Department Secretary administers the Fund through budgetary appropriations and oversight of the Fund's annual allocation to each of the correctional institutions located statewide. The warden of each correctional institution administers the institution's Fund operations.

The Department maintains separate accountability for each institution's Fund operations. The Department's Fund and Trust Accounting Section, located in Sacramento, administers the Fund as a whole, maintains centralized institution Fund accounting records, and prepares the combined financial statements.

Section 5005 of the California Penal Code authorizes the Department to establish and maintain prison canteens for sale of toilet articles, candy, notions, and other sundries to inmates. It also states that, "the sale prices of the articles offered for sale shall be fixed by the director at the amounts that will, as far as possible, render each canteen self-supporting."

The Fund's primary revenue-generating activity is canteen sales of food and non-food items to inmates. Through the operation of the canteens in all correctional institutions and other activities such as photo projects, the Fund provides benefits, education, and welfare for the inmates. Benefits include the purchase of publications, rental of movies, work opportunities, and other inmate programs.

These financial statements present information on the combined financial activities of the Fund with a supplemental schedule of revenues and expenses by institution. They do not represent all the financial activities of the Department or of individual institutions.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements present the financial position of the Fund as of June 30, 2007 and the results of its operations and changes in fund balance for the year then ended. These financial statements have been prepared in compliance with State of California laws and accounting procedures. In accordance with the State of California's

fund classification, the Fund is classified as a *Nongovernmental Trust and Agency Fund* for financial reporting purposes.

B. Basis of Accounting

The accounting method used for the Fund is in compliance with the *Statutory* basis of accounting prescribed by the California State Administrative Manual, Inmate Welfare Fund Manual, and California Government Code, which comprise a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP).

Income

Canteen sales are recognized at the time of sale at the canteen. Money is collected in advance from the inmates' trust accounts and is recorded as a liability in the Advance Collections account until sales are made. Photo Project sales are recognized at the time photo tickets are sold.

Expenses

During the fiscal year, expenses are recognized when claims to the State Controller are filed against the current year appropriation, or when funds are transferred to the State Payroll Revolving Fund for the payment of salaries and wages. Valid expense commitments including encumbrances are accrued as accounts payable at June 30.

Purchases of equipment are expensed in the year of acquisition; however, equipment valued at \$500 or over and with an estimated useful life of 12 months or more is capitalized and fully reserved on the balance sheet. Due to the relative immateriality of the expense, the Department has elected not to depreciate the Fund's capitalized equipment or recognize the associated depreciation expense. This is a departure from GAAP, which requires equipment to be expensed over its useful life by an appropriate form of depreciation. The effects of this departure from GAAP could not be reasonably determined.

C. Allocated Costs

Fund expenses incurred in providing centralized accounting and administrative services and certain inmate benefits are allocated to each institution to more accurately report the total costs for each institution's Fund operations. The allocation of the centralized accounting and administrative costs is based on each institution's proportional share of the total Fund's cost of goods sold; and the allocation of statewide inmate benefits is based on each institution's proportional share of the total statewide average inmate population. The effect on the financial statements is to increase each institution's expenses and decrease each institution's net income; however, there is no effect on the combined Fund net income.

D. Prior Year Adjustments

The Prior Year Adjustments Account is used to record income and expense adjustments made for a prior fiscal year. These adjustments usually reflect under-accruals, over-accruals, and corrections of errors and estimates made at the prior fiscal year-end. Accruals and changes in estimates are not prior period adjustments under GAAP. For statutory reporting purposes, these adjustments are shown as a separate line item between "Current Year Net Income" and "Total Net Income."

E. Retirement Plan

Regular employees of the Department are members of the California Public Employees' Retirement System (CalPERS), which is a defined benefit, contributory retirement plan. Retirement contributions by employees are set by statute as a percentage of payroll (Tier I and Safety employees), or are zero (Tier II employees). Retirement contributions by the employer to CalPERS are actuarially determined under a program where total contributions plus CalPERS investment earnings will provide the necessary funds to pay retirement benefits when incurred. Each institution's employer contributions are included in the cost of personal services. For further information, please refer to the annual single audit of the State of California, and to the CalPERS Comprehensive Annual Financial Report.

F. Vacation and Sick Leave

Under the Statutory Basis of Accounting, the State does not record the costs of vacation and sick leave at the time the benefits are accumulated. When leave is used, the personal services account is charged. Under GAAP, the accumulation of employees' vacation and sick leave credits is accounted as a liability to be charged when the credits are used.

G. Budgetary Control

The Fund's annual budget is legally adopted through the Budget Act. While the appropriations contained in the Budget Act are the primary sources of expenditure authority, the budget can be amended throughout the year. Appropriations are available for expenditure or encumbrance in the year appropriated. Encumbrances not liquidated within two years from the end of the period when the appropriation is made available lapse, and the unused appropriation is returned to the Fund.

Fund management is responsible for exercising budgetary control and ensuring that appropriations are not overspent. Actual expenses did not exceed appropriations in fiscal year 2006-07. However, as described in Note 2.D, prior year expense accruals can differ from actual amounts paid in the current year. The differences are not material.

H. Canteen Merchandise at Cost

Canteen Merchandise at Cost represents the value of canteen merchandise inventory available for resale to inmates. Canteen merchandise is maintained under a perpetual inventory system and is valued by the moving average cost method of inventory valuation. In addition, prompt-payment discounts, vendor rebates, and other adjustments are posted to cost of sales. These are departures from GAAP, which

requires discounts to be posted to inventory and inventories to be valued at cost or at current market value, whichever is less. The impact on the financial statements of these differences to cost of sales is immaterial.

3. Deposits in Surplus Money Investment Fund

Investments consist of available non-inmate Fund moneys on deposit in the Surplus Money Investment Fund (SMIF). The Fund participates in the State of California's Pooled Money Investment Program, whereby Fund cash on deposit in the State Treasury determined to be in excess of the Fund's immediate needs are transferred to the SMIF for investment purposes. All earnings derived from investments of the SMIF are apportioned to the contributing fund as provided in the Government Code.

4. Litigation—Investment of Inmate Trust Moneys

Section 5008 of the California Penal Code states that the Director of the California Department of Corrections and Rehabilitation (Director) may combine the funds of any inmate with the funds of other inmates, for purposes of deposit or investment only. The code section further requires the Director to deposit interest or increment accruing to such investments in the Fund. The Director suspended this practice after inmates filed a 1996 lawsuit alleging that by failing to pay interest on funds deposited in their individual inmate trust accounts, the Director violated the Fifth Amendment Taking Clause and their equal protection rights.

In October 1998, the Director returned \$6,100,000 of inmate trust funds held by the Fund and invested in the Surplus Money Investment Fund to the respective accounts held at individual institutions. On March 22, 2000, the court granted a summary judgment that the prisoners' interest had not been taken without just compensation.

In subsequent litigation, the California Attorney General briefed the Ninth Circuit Court that the U.S. Supreme Court had dismissed a similar case on the basis that failure to pay interest on funds held in trust to the owner of the principal did not violate the Fifth Amendment Taking Clause. The Attorney General further argued that the cost of operating the trust fund system and/or the cost of distributing the interest to the individual accounts is more than the interest earned on the inmate trust funds.

In 2005 the parties settled the case, with the Director agreeing to provide interest on inmates' accounts through a proposed new Restitution Accounting and Canteen System (RACS). The RACS has been implemented at all womens' institutions and is scheduled for implementation at all mens' institutions by November 1, 2008.

SUPPLEMENTAL INFORMATION

California Department of Corrections and Rehabilitation, Inmate Welfare Fund
Supplemental Schedules of Revenues and Expenses by Institution
For the Fiscal Year Ended June 30, 2007

	ASP	CAL	CCC	CCI	CCWF	GEN	CIM	CIW	CMC	CMF
Operating Activity										
Net Canteen Sales	\$ 2,288,947	\$ 1,184,861	\$ 1,691,653	\$ 1,436,795	\$ 1,853,466	\$ 1,353,253	\$ 1,313,795	\$ 1,048,785	\$ 2,436,930	\$ 767,413
Less: Cost of Goods Sold	1,325,911	675,000	971,999	839,128	1,063,338	751,862	741,851	624,678	1,424,373	446,141
Gross Margin from Canteen Sales	963,036	509,861	719,654	597,667	790,128	601,391	571,944	424,107	1,012,557	321,272
Less: Personal Services	582,348	475,160	418,787	519,937	404,661	429,230	364,595	197,693	462,535	187,520
Supplies and Equipment	13,768	12,604	22,227	16,525	5,175	17,892	6,842	5,471	24,597	18,306
Inmate Pay	3,394	4,322	4,350	2,079	2,903	1,959	2,871	1,460	15,291	4,212
Total Canteen Expenses	599,510	492,086	445,364	538,541	412,739	448,081	374,308	204,624	502,423	210,038
Income from Canteen Sales	363,526	17,775	274,290	59,126	377,389	152,310	197,636	219,483	510,134	111,234
Photo Project Revenue	33,001	28,463	14,720	13,699	22,527	13,153	4,297	17,365	42,128	14,518
Less: Photo Project Supplies	14,064	13,340	8,394	10,668	9,474	6,293	2,655	10,924	20,976	8,622
Inmate Pay	-	-	88	-	-	-	-	283	567	-
Income from Photo Project	18,937	15,123	6,238	3,031	13,053	6,860	1,642	6,158	20,585	5,896
Handicraft Revenue	-	2,353	5,675	1,842	368	-	363	4,088	2,299	751
Less: Handicraft Supplies and Expense	-	148	-	195	-	-	-	1,978	667	-
Inmate Pay	-	595	-	440	17	-	-	636	-	-
Income from Handicraft Project	-	1,610	5,675	1,207	351	-	363	1,474	1,632	751
Income from Operating Activity	382,463	34,508	286,203	63,364	390,793	159,170	199,641	227,115	532,351	117,881
Non-Operating Activity										
Non-Operating Revenue:										
Interest on Investments	34,585	18,300	26,697	21,643	28,058	19,857	18,866	16,596	36,935	11,739
Special Purchases Surcharge	4,184	1,685	12,861	3,347	4,877	1,527	1,903	3,236	7,532	2,177
Miscellaneous Non-Operating Revenue	1,605	2,698	1,747	1,004	16,775	319	8,291	3,734	42,502	2,084
Total Non-Operating Revenue	40,374	22,683	41,305	25,994	49,710	21,703	29,060	23,566	86,969	16,000
Non-Operating Expenses:										
Administrative Expenses	333,043	176,146	263,958	229,945	225,384	202,735	232,268	136,764	326,243	124,719
Audit Expenses	25,471	13,100	19,994	15,941	20,464	15,127	14,115	12,333	27,319	8,787
Inmate Benefits:										
Telephone-Visitor Hotline	1,113	612	875	870	593	733	978	372	990	465
Library	2,150	-	-	-	1,158	-	-	-	-	-
Awards	3,260	3,425	2,633	1,845	2,236	-	3,471	1,138	860	2,845
Movie Rental	11,040	9,538	10,263	9,870	6,745	10,362	11,280	-	2,313	9,366
Entertainment	-	-	708	237	-	-	952	223	193	-
Other	-	-	-	-	-	-	-	-	13,695	-
Total Non-Operating Expenses	376,077	202,821	298,431	258,708	256,580	228,957	263,064	150,830	371,613	146,182
Loss from Non-Operating Activity	(335,703)	(180,138)	(257,126)	(232,714)	(206,870)	(207,254)	(234,004)	(127,264)	(284,644)	(130,182)
Current Year Net Income (Loss)	46,760	(145,630)	29,077	(169,350)	183,923	(48,084)	(34,363)	99,851	247,707	(12,301)
Prior Year Adjustment	5,397	3,860	4,021	2,266	1,263	4,324	1,226	(1,102)	(1,079)	3,386
Total Net Income (Loss)	\$ 52,157	\$ (141,770)	\$ 33,098	\$ (167,084)	\$ 185,186	\$ (43,760)	\$ (33,137)	\$ 98,749	\$ 246,628	\$ (8,915)

California Department of Corrections and Rehabilitation, Inmate Welfare Fund
Supplemental Schedules of Revenues and Expenses by Institution
For the Fiscal Year Ended June 30, 2007

	COR	CRC	CTF	CVSP	DVI	FSP	HDSP	ISP	KVSP	LAC
Operating Activity										
Net Canteen Sales	\$ 1,518,474	\$ 1,364,049	\$ 2,150,842	\$ 1,394,458	\$ 888,140	\$ 1,354,416	\$ 990,626	\$ 1,465,163	\$ 1,360,771	\$ 1,036,003
Less: Cost of Goods Sold	873,158	772,119	1,264,091	813,069	505,910	796,382	568,905	856,944	770,395	589,764
Gross Margin from Canteen Sales	645,316	591,930	886,751	581,389	382,230	558,034	421,721	608,219	590,376	446,239
Less: Personal Services	566,966	457,638	492,279	369,414	309,546	410,182	370,984	488,545	433,494	391,894
Supplies and Equipment	1,876	21,082	21,008	1,131	6,377	6,843	10,502	6,352	1,614	7,001
Inmate Pay	3,896	3,836	7,126	1,415	2,301	3,561	1,520	3,294	3,146	2,271
Total Canteen Expenses	572,738	482,556	520,413	371,960	318,224	420,586	383,006	498,191	438,254	401,166
Income from Canteen Sales	72,578	109,374	366,338	209,429	64,006	137,448	38,715	110,028	152,122	45,073
Photo Project Revenue	25,459	16,590	41,833	24,736	4,704	38,075	17,267	31,369	36,727	15,996
Less: Photo Project Supplies	13,408	10,882	18,042	17,494	1,573	17,414	6,258	15,812	16,398	8,822
Inmate Pay	329	-	568	-	-	388	2	-	-	-
Income from Photo Project	11,722	5,708	23,223	7,242	3,131	20,273	11,007	15,557	20,329	7,174
Handicraft Revenue	-	-	2,750	87	3,250	194	206	157	-	1,506
Less: Handicraft Supplies and Expense	-	-	144	-	2,723	-	-	-	-	106
Inmate Pay	-	-	502	-	891	701	-	-	-	-
Income from Handicraft Project	-	-	2,104	87	(364)	(507)	206	157	-	1,400
Income from Operating Activity	84,300	115,082	391,665	216,758	66,773	157,214	49,928	125,742	172,451	53,647
Non-Operating Activity										
Non-Operating Revenue:										
Interest on Investments	22,459	20,201	33,481	21,270	12,811	20,460	15,268	21,934	19,590	16,477
Special Purchases Surcharge	2,522	1,807	6,033	1,926	4,457	3,036	3,135	908	3,316	1,166
Miscellaneous Non-Operating Revenue	1,460	4,697	9,149	4,068	3,290	1,751	363	6,963	496	4,792
Total Non-Operating Revenue	26,441	26,705	48,663	27,264	20,558	25,247	18,766	29,805	23,402	22,435
Non-Operating Expenses:										
Administrative Expenses	223,508	193,983	308,844	174,158	143,141	185,420	171,341	218,036	201,815	176,129
Audit Expenses	16,645	14,859	24,643	15,829	9,517	14,895	11,048	15,925	14,521	11,920
Inmate Benefits:										
Telephone-Visitor Hotline	785	663	1,010	464	555	584	660	775	732	679
Library	-	-	1,924	-	1,289	1,373	2,035	1,855	-	-
Awards	2,559	2,558	3,822	1,148	698	2,072	1,096	2,809	611	4,566
Movie Rental	8,625	10,920	11,955	11,130	9,310	9,951	9,801	11,973	4,935	9,954
Entertainment	-	624	1,055	-	-	-	-	-	-	-
Other	-	-	399	-	-	-	-	-	-	-
Total Non-Operating Expenses	252,122	223,607	353,652	202,729	164,510	214,295	195,981	251,373	222,614	203,248
Loss from Non-Operating Activity	(225,681)	(196,902)	(304,989)	(175,465)	(143,952)	(189,048)	(177,215)	(221,568)	(199,212)	(180,813)
Current Year Net Income (Loss)	(141,381)	(81,820)	86,676	41,293	(77,179)	(31,834)	(127,287)	(95,826)	(26,761)	(127,166)
Prior Year Adjustment	(642)	2,320	11,806	4,812	1,561	1,926	8,317	2,964	839	2,799
Total Net Income (Loss)	\$ (142,023)	\$ (79,500)	\$ 98,282	\$ 46,105	\$ (75,618)	\$ (29,908)	\$ (118,970)	\$ (92,862)	\$ (25,922)	\$ (124,367)

California Department of Corrections and Rehabilitation, Inmate Welfare Fund
Supplemental Schedules of Revenues and Expenses by Institution
For the Fiscal Year Ended June 30, 2007

	MCSP	NKSP	PBSP	PVSP	RJD	SAC	SATF	SCC	SOL	SQ
Operating Activity										
Net Canteen Sales	\$ 1,331,698	\$ 1,171,870	\$ 954,735	\$ 1,504,634	\$ 1,136,630	\$ 817,492	\$ 2,219,670	\$ 1,726,870	\$ 1,938,038	\$ 1,384,752
Less: Cost of Goods Sold	781,008	672,465	544,299	877,305	675,890	467,348	1,276,431	969,019	1,124,317	815,942
Gross Margin from Canteen Sales	550,690	499,405	410,436	627,329	460,740	350,144	943,239	757,851	813,721	568,810
Less: Personal Services	417,403	438,257	357,947	368,942	331,596	299,423	688,971	427,955	460,904	431,847
Supplies and Equipment	3,262	5,878	4,316	12,254	14,045	6,810	13,146	5,719	10,632	3,551
Inmate Pay	5,019	2,331	1,802	4,021	2,983	2,511	3,401	1,456	3,658	2,761
Total Canteen Expenses	425,684	446,466	364,065	385,217	348,624	308,744	705,518	435,130	475,194	438,159
Income from Canteen Sales	125,006	52,939	46,371	242,112	112,116	41,400	237,721	322,721	338,527	130,651
Photo Project Revenue	28,733	5,105	14,678	29,432	9,958	23,261	34,633	25,778	37,417	12,889
Less: Photo Project Supplies	14,473	3,591	5,018	11,609	5,247	8,449	18,591	8,487	24,078	8,650
Inmate Pay	-	-	-	-	-	-	268	-	-	193
Income from Photo Project	14,260	1,514	9,660	17,823	4,711	14,812	15,774	17,291	13,339	3,846
Handicraft Revenue	67	-	-	1,252	-	-	1,014	3,387	6,218	2,496
Less: Handicraft Supplies and Expense	-	-	-	-	-	-	-	-	-	1,084
Inmate Pay	-	-	-	-	-	-	-	-	-	573
Income from Handicraft Project	67	-	-	1,252	-	-	1,014	3,387	6,218	839
Income from Operating Activity	139,333	54,453	56,031	261,187	116,827	56,212	254,509	343,399	358,084	135,336
Non-Operating Activity										
Non-Operating Revenue:										
Interest on Investments	20,326	17,085	13,608	22,683	17,646	12,336	33,012	25,374	28,870	20,753
Special Purchases Surcharge	2,481	438	4,858	4,111	231	2,057	6,595	10,379	6,804	1,563
Miscellaneous Non-Operating Revenue	298	775	3,386	4,941	920	928	807	906	1,101	6,175
Total Non-Operating Revenue	23,105	18,298	21,852	31,735	18,797	15,321	40,414	36,659	36,775	28,491
Non-Operating Expenses:										
Administrative Expenses	182,701	194,091	141,168	222,794	189,460	127,680	317,425	251,345	275,935	193,612
Audit Expenses	15,109	12,659	10,234	16,617	12,964	8,928	24,422	18,995	21,137	15,195
Inmate Benefits:										
Telephone-Visitor Hotline	565	776	517	776	720	471	1,076	886	929	629
Library	1,389	-	920	1,911	-	1,003	-	-	2,291	1,468
Awards	896	2,673	2,125	3,846	2,937	936	3,966	-	5,152	2,242
Movie Rental	9,880	10,605	7,820	10,800	11,598	9,751	11,405	10,779	10,178	11,464
Entertainment	-	-	-	-	-	-	-	780	-	97
Other	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Expenses	210,540	220,804	162,784	256,744	217,679	148,769	358,294	282,785	315,622	224,707
Loss from Non-Operating Activity	(187,435)	(202,506)	(140,932)	(225,009)	(198,882)	(133,448)	(317,880)	(246,126)	(278,847)	(196,216)
Current Year Net Income (Loss)	(48,102)	(148,053)	(84,901)	36,178	(82,055)	(77,236)	(63,371)	97,273	79,237	(60,880)
Prior Year Adjustment	1,551	914	2,538	1,799	2,301	4,905	3,071	3,213	6,463	47,043
Total Net Income (Loss)	\$ (46,551)	\$ (147,139)	\$ (82,363)	\$ 37,977	\$ (79,754)	\$ (72,331)	\$ (60,300)	\$ 100,486	\$ 85,700	\$ (13,837)

California Department of Corrections and Rehabilitation, Inmate Welfare Fund
Supplemental Schedules of Revenues and Expenses by Institution
For the Fiscal Year Ended June 30, 2007

	SVSP	VSPW	WSP	COMBINED
Operating Activity				
Net Canteen Sales	\$ 989,155	\$ 1,567,511	\$ 1,500,618	\$ 47,142,513
Less: Cost of Goods Sold	553,036	913,839	890,263	27,236,180
Gross Margin from Canteen Sales	436,119	653,672	610,355	19,906,333
Less: Personal Services	370,919	361,780	417,754	13,707,106
Supplies and Equipment	4,819	8,883	25,502	346,010
Inmate Pay	2,607	2,078	2,146	111,981
Total Canteen Expenses	378,345	372,741	445,402	14,165,097
Income from Canteen Sales	57,774	280,931	164,953	5,741,236
Photo Project Revenue	14,425	27,158	3,894	723,788
Less: Photo Project Supplies	9,157	13,928	1,183	363,974
Inmate Pay	319	-	478	3,483
Income from Photo Project	4,949	13,230	2,233	356,331
Handicraft Revenue	-	1,365	-	41,688
Less: Handicraft Supplies and Expense	-	-	-	7,045
Inmate Pay	-	-	-	4,355
Income from Handicraft Project	-	1,365	-	30,288
Income from Operating Activity	62,723	295,526	167,186	6,127,855
Non-Operating Activity				
Non-Operating Revenue:				
Interest on Investments	14,545	23,619	23,797	710,881
Special Purchases Surcharge	4,210	2,283	238	117,883
Miscellaneous Non-Operating Revenue	2,608	820	1,607	143,060
Total Non-Operating Revenue	21,363	26,722	25,642	971,824
Non-Operating Expenses:				
Administrative Expenses	168,802	200,783	242,570	6,955,946
Audit Expenses	10,580	17,425	17,493	524,211
Inmate Benefits:				
Telephone-Visitor Hotline	695	570	880	23,998
Library	-	1,321	-	22,087
Awards	1,601	-	2,943	72,969
Movie Rental	10,725	8,265	11,157	313,758
Entertainment	472	-	107	5,448
Other	363	-	-	14,457
Total Non-Operating Expenses	193,238	228,364	275,150	7,932,874
Loss from Non-Operating Activity	(171,875)	(201,642)	(249,508)	(5,961,050)
Current Year Net Income (Loss)	(109,152)	93,884	(82,322)	(833,195)
Prior Year Adjustment	827	1,544	2,700	138,933
Total Net Income (Loss)	\$ (108,325)	\$ 95,428	\$ (79,622)	\$ (694,262)

Institution Name Legend:

ASP	=	Avenal State Prison
CAL	=	Calipatria State Prison
CCC	=	California Correctional Center
CCI	=	California Correctional Institution
CCWF	=	Central California Women's Facility
CEN	=	Centinela State Prison
CIM	=	California Institution for Men
CIW	=	California Institution for Women
CMC	=	California Men's Colony
CMF	=	California Medical Facility
COR	=	Corcoran State Prison
CRC	=	California Rehabilitation Center
CTF	=	Correctional Training Facility
CVSP	=	Chuckawalla Valley State Prison
DVI	=	Deuel Vocational Institution
FSP	=	Folsom State Prison
HDSP	=	High Desert State Prison
ISP	=	Ironwood State Prison
KVSP	=	Kern Valley State Prison
LAC	=	California State Prison, Los Angeles Co
MCSP	=	Mule Creek State Prison
NKSP	=	North Kern State Prison
PBSP	=	Pelican Bay State Prison
PVSP	=	Pleasant Valley State Prison
RJD	=	R.J. Donovan Correctional Facility
SAC	=	California State Prison, Sacramento
SATF	=	Substance Abuse Treatment Facility, Corcoran
SCC	=	Sierra Conservation Center
SOL	=	California State Prison, Solano
SQ	=	San Quentin State Prison
SVSP	=	Saltinas Valley State Prison
VSPW	=	Valley State Prison for Women
WSP	=	Wasco State Prison